



State of New Jersey

BOARD OF PUBLIC UTILITIES
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NEWARK NJ 07102

CHRISTINE TODD WHITMAN
Governor

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July 29, 1996

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FEDERAL COMMUNICATIONS COMMISSION

OFFICE OF SECRETARY HERBERT H. TATE
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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Reed Hunt, Chairman
Federal Communications Commission
1919 M Street
Washington, D.C. 20554

Dear Chairman Hunt:

On May 15, 1996, the Staff of the New Jersey Board of Public Utilities (Board) submitted comments in response to the Federal Communications Commission's (FCC) Notice of Proposed Rulemaking I/M/O Implementation of Local Competition Provisions in the Telecommunications Act of 1996, CC Docket No. 96-98 released on April 19, 1996.

In its comments, Staff expressed its concern that the FCC may be considering the implementation of national rules to increase the predictability of rates and to simplify the negotiation of agreements between Local Exchange Carriers and potential competitors. The Board's Staff does not agree with the FCC's tentative conclusion in this regard and is concerned that such a policy might impinge on state authority to rule on local matters.

While I am cognizant of the task facing the FCC in carrying out Congress' mandate, states must be given the latitude to govern local issues in an autonomous fashion to ensure that the benefits of the Telco Act of 1996 reach all consumers. National principles, while creating a streamlined structure from which the FCC will operate, have the potential to disadvantage states with characteristics that differ from the study group from which they were derived. New Jersey's cost structure has permitted Local Exchange Carriers to maintain low basic service rates. If carriers are forced to impute costs based on national or regional averages, rates could rise instead of fall in certain states placing them at an economic disadvantage when it comes to trying to attract and retain business.

Reed Hunt, Chairman
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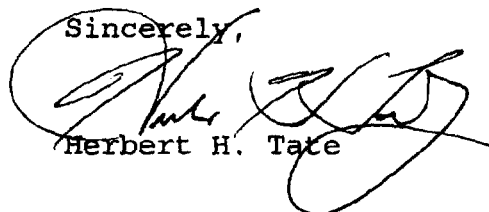
I urge the FCC to consider the potential impact such a policy may have on states that have unique requirements or circumstances such as New Jersey. The state's consumers have become accustomed to low basic service rates because of a consistent regulatory policy aimed at providing long term stability in return for regulatory flexibility and an advanced infrastructure. As a result, Bell Atlantic-New Jersey's rates for residential basic service have not changed since 1984 and will remain capped until the year 2000. In addition, all other services were capped through 1995. Finally, the Board approved a technology deployment plan (Opportunity New Jersey) to accelerate the deployment of advanced services in the state. The Board does not wish to have these advances reversed by unintended federal action.

The Board is currently moving forward with its own investigation on the matter of local competition and has already invested a considerable amount of time and energy in its pursuit of market-based competition. On June 20, 1996, it released an order setting forth the issues to be addressed in state proceedings. These hearings will explore why New Jersey's telephone penetration rates appear to be slipping, yet we have retained the same basic telephone rate since 1984. In addition, the hearings will address the specific universal service requirements of the state including residential customer needs, small business needs, urban center rejuvenation, as well as the needs for schools, libraries and medical centers. Also to be addressed are the competitive issues of: (1) interconnection rates, terms and conditions; (2) the development of wholesale/resale rates; and (3) the effects of local competition on universal service.

Lastly, Congress observed when developing the Telco Act of 1996 that certain issues are more appropriately left in the hands of the local governing bodies. The Act explicitly requires states to approve all interconnection agreements, statement of generally available terms and to arbitrate differences that arise in the negotiations process.

The States' participation in this process is critical to the successful implementation of the Telco Act of 1996.

Sincerely,



Herbert H. Tate

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